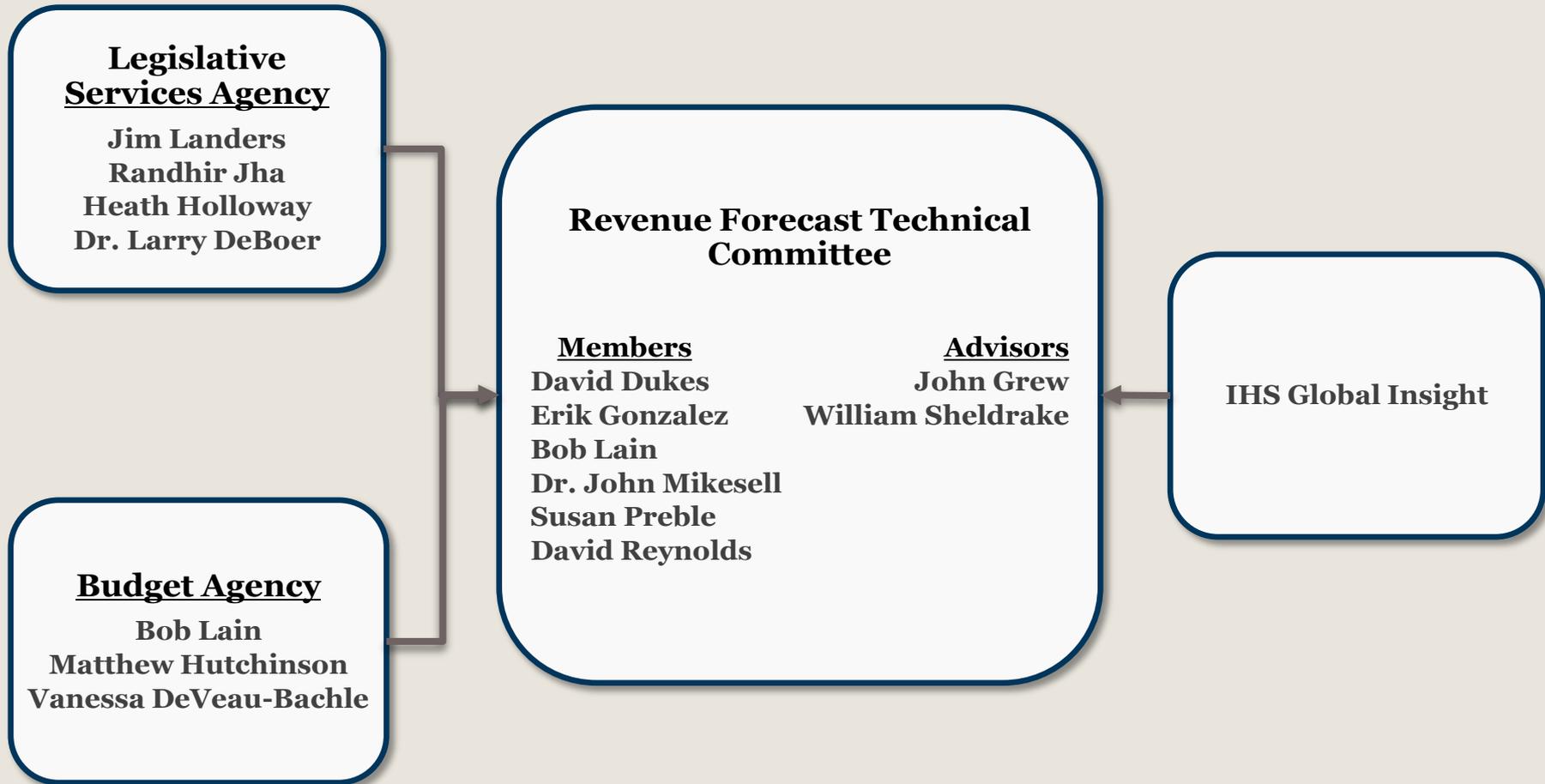


General Fund Revenue Forecast

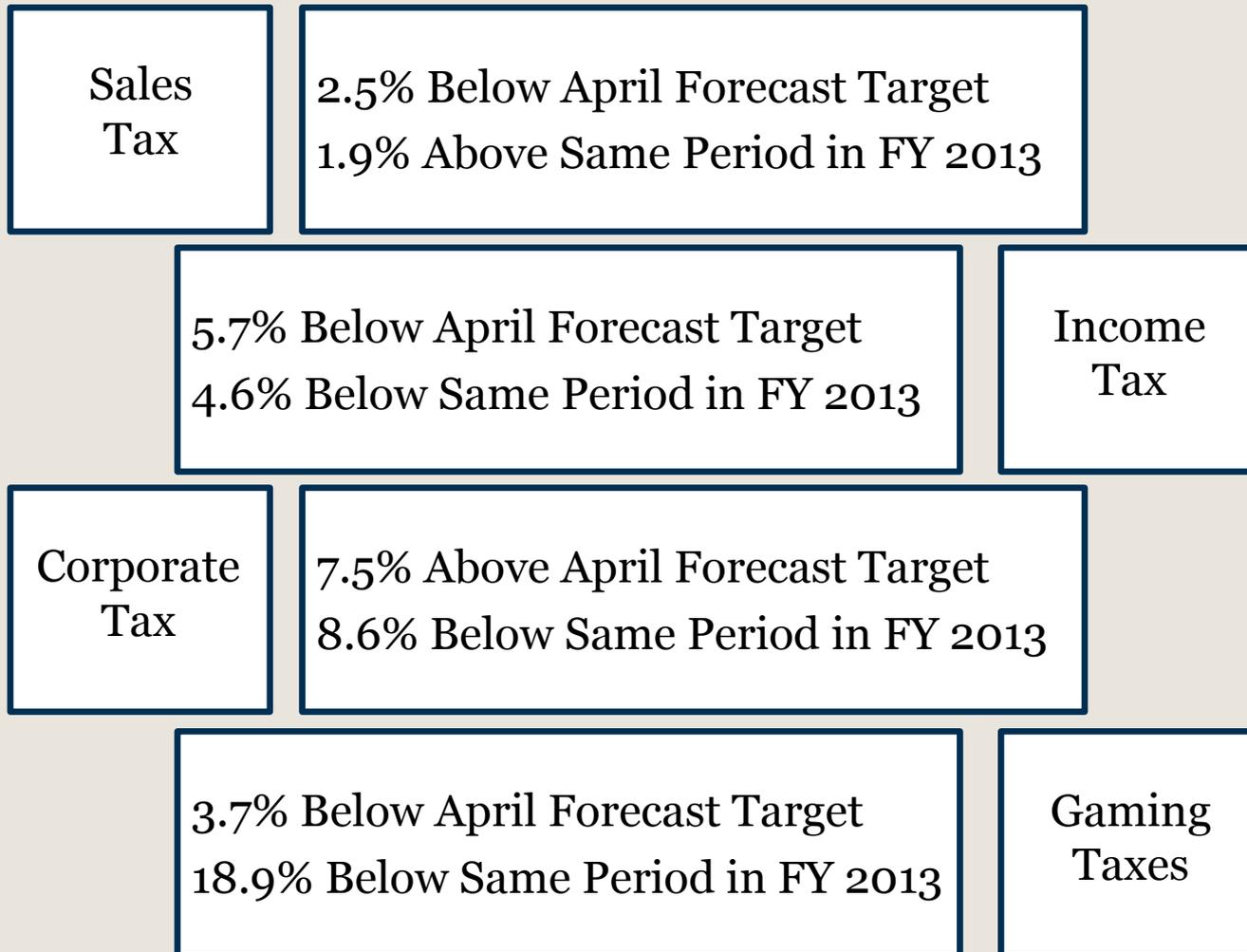
Fiscal Years 2014-2015
Revenue Forecast Technical Committee

Presented to the State Budget Committee
December 20, 2013

Indiana Revenue Forecast



Performance of Major Revenue Sources Year-To-Date Through November 30th



Factors Affecting This Forecast

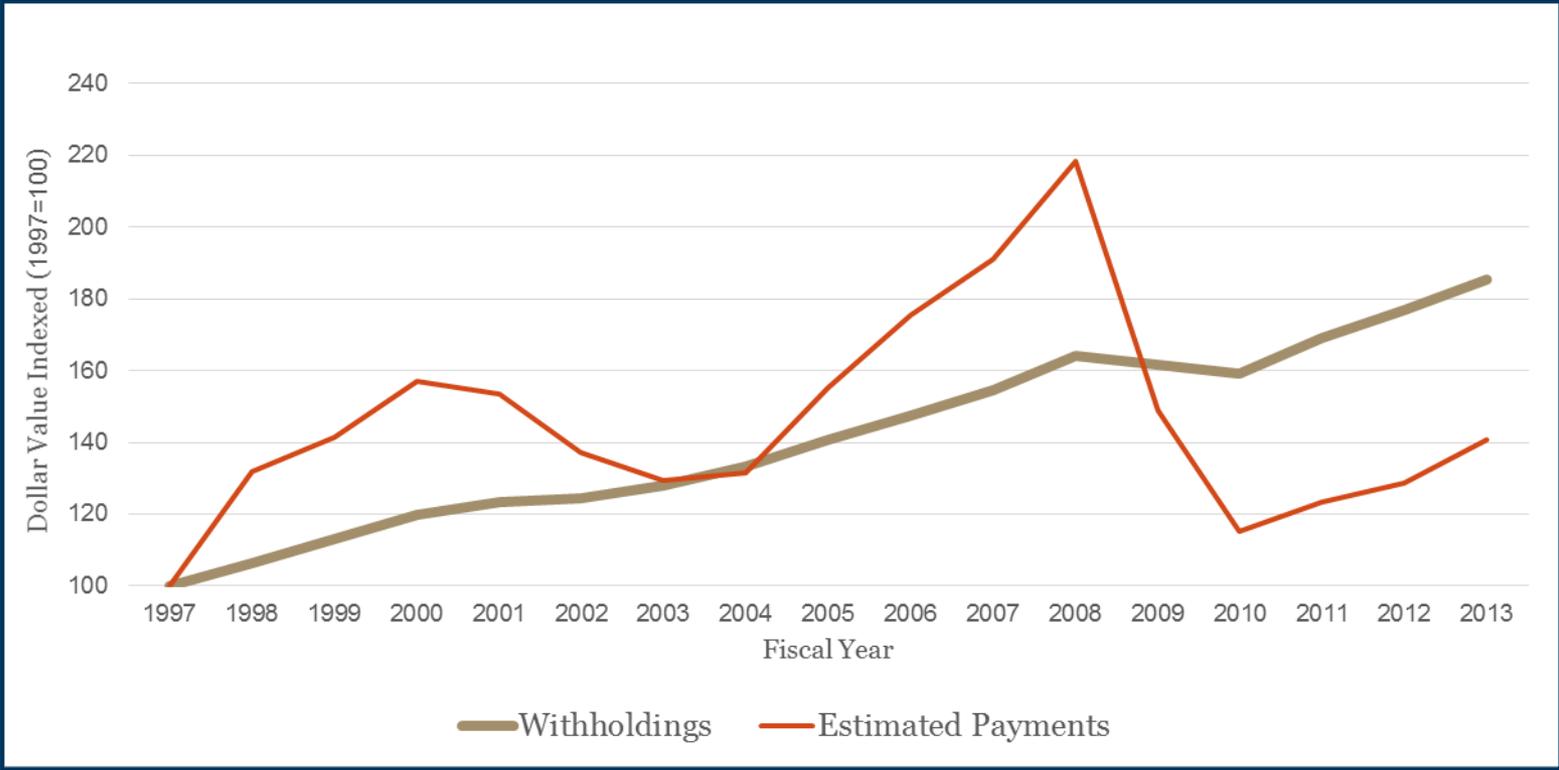
Economic Variables and Models

- ◆ Economic Forecast Reflects a Stable But Slow Recovery
- ◆ Sales and Income Tax Models Modified
- ◆ Corporate, Gaming, and Cigarette Tax Models Unchanged

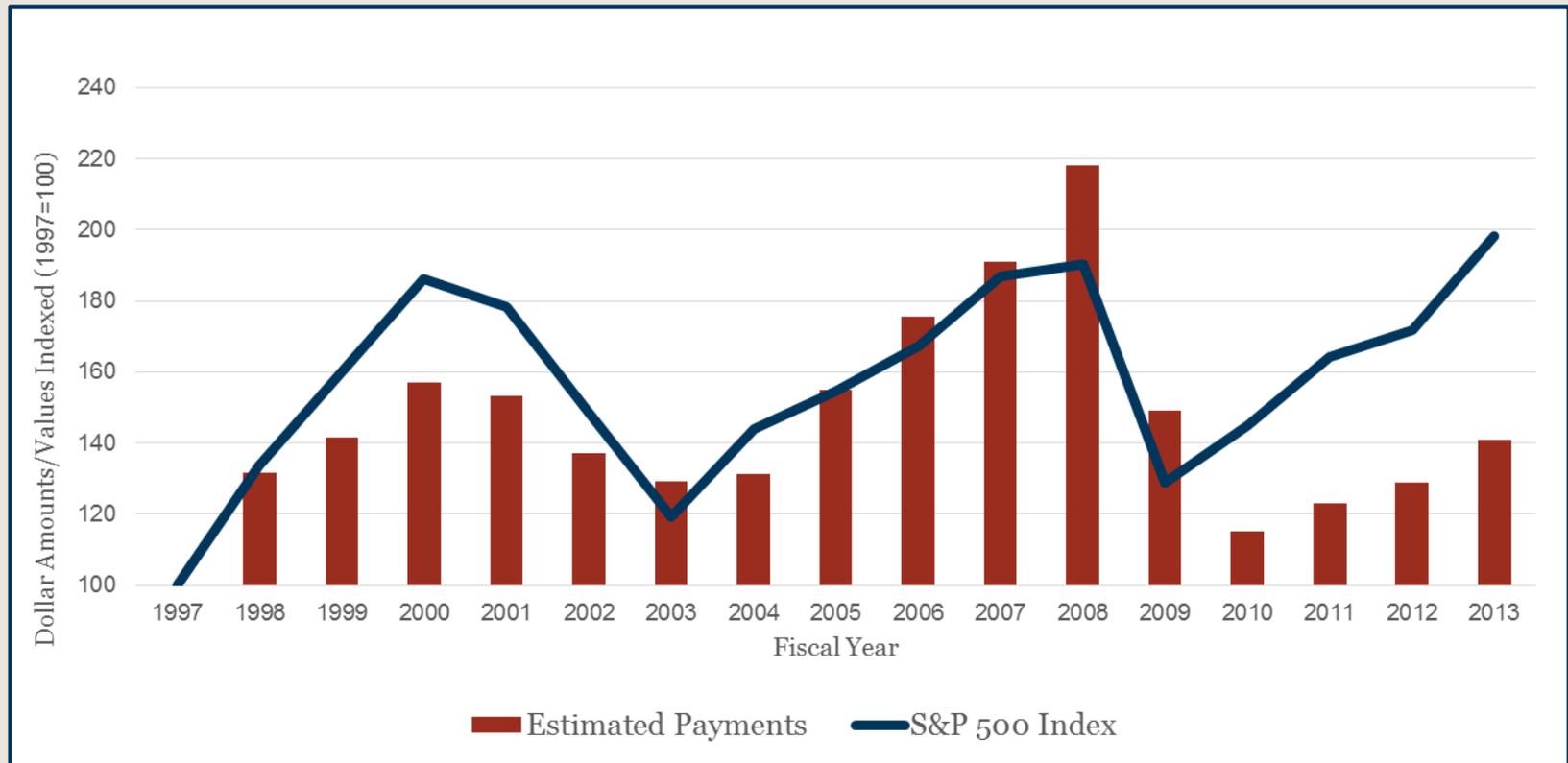
Legislative Changes

- ◆ FY 2013: Gaming Tax Changes
- ◆ FY 2014: Sales Tax Revenue Distribution Change
 - Repeal of Inheritance Tax
 - FIT Revenue Distribution Change
 - FIT Rate Reduction Beginning
 - Cigarette Tax Revenue Distribution Change
 - Recouple with IRC Provisions
 - Sales Tax Exemption for Aviation Repair Parts and Fuel
- ◆ FY 2015: Individual Income Tax Rate Reduction
- ◆ Ongoing Corporate Income Tax Rate Reduction

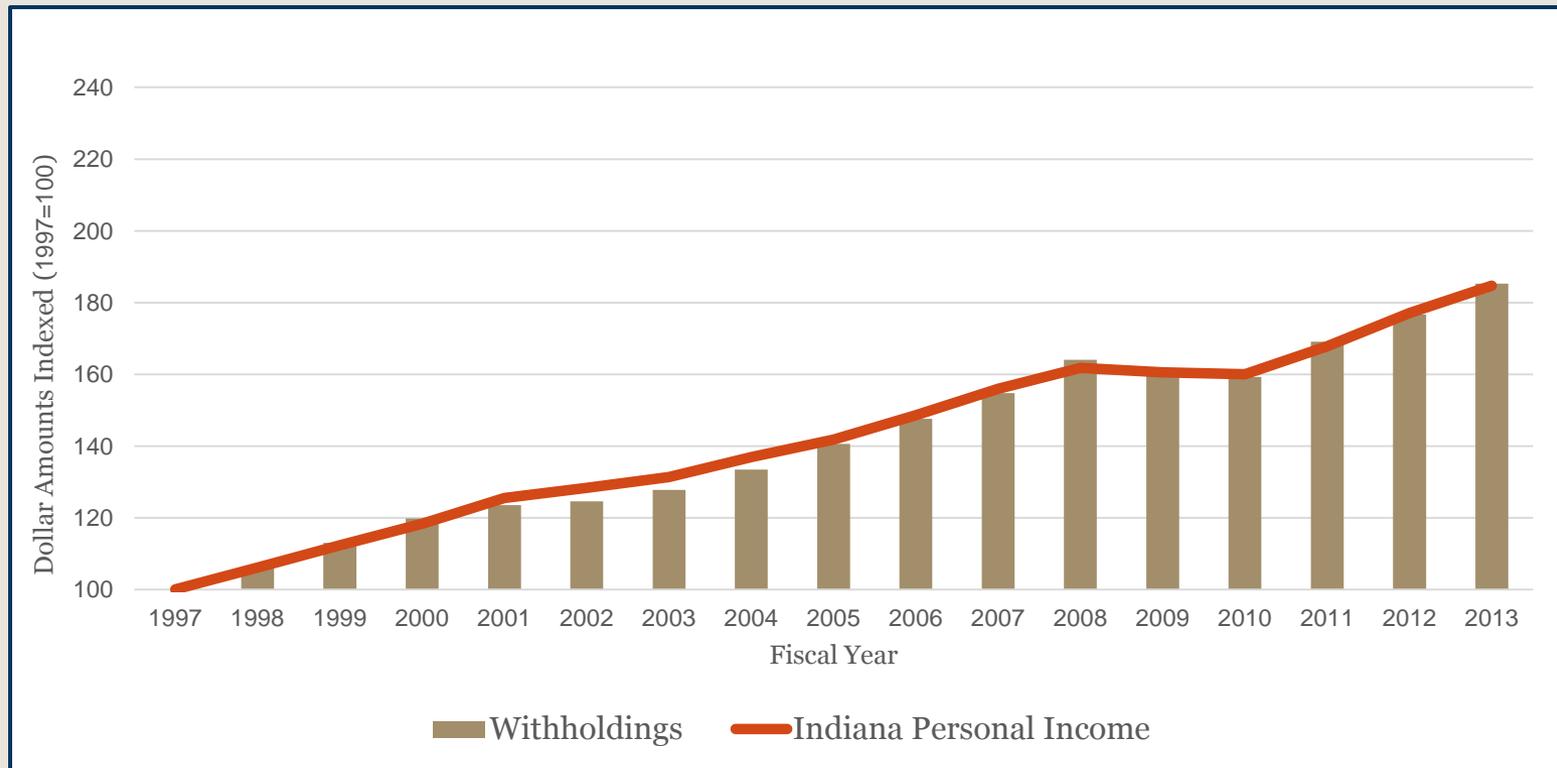
Estimated Payments vs. Withholdings



Estimated Payments vs. S & P 500 Index



Indiana Withholdings vs. Nominal Indiana Personal Income (IPI)



Changes in the Individual Income Tax Model

Total Income Tax Estimators

April 2013

S&P 500 Index

Nominal IPI

December 2013

Estimated Tax Payments

S&P 500 Index

GDP

Withholdings and Other Income Tax

S&P 500 Index

Nominal IPI

Changes in the Sales Tax Model

Sales Tax Revenue Estimators

April 2013

Nominal IPI Net of
Transfer Payments

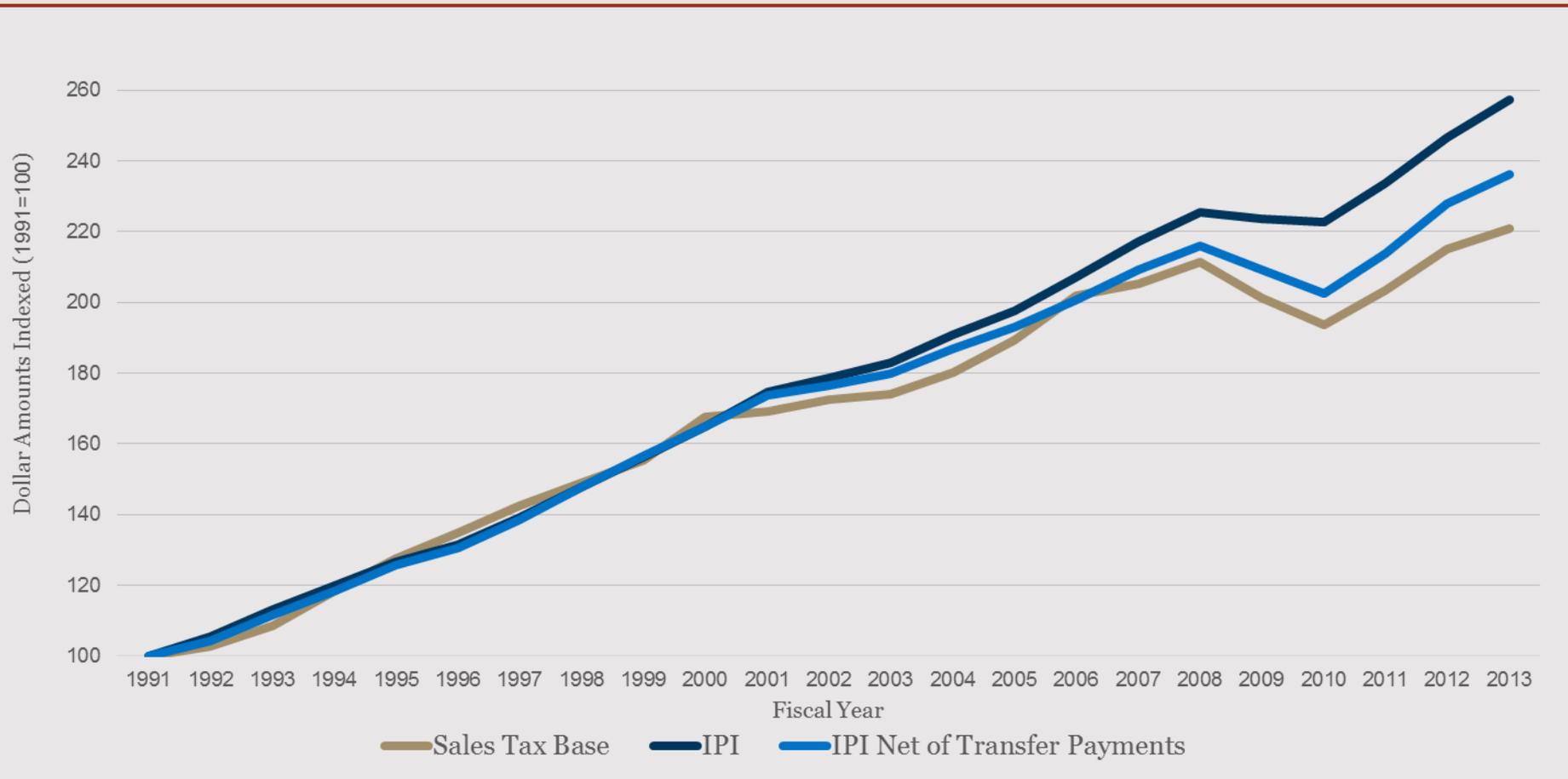
Unemployment Rate

December 2013

Nominal IPI Net of
Transfer Payments

Indiana Labor Force
Participation Rate

Sales Tax Base vs. Nominal IPI and Nominal IPI Net of Transfer Payments

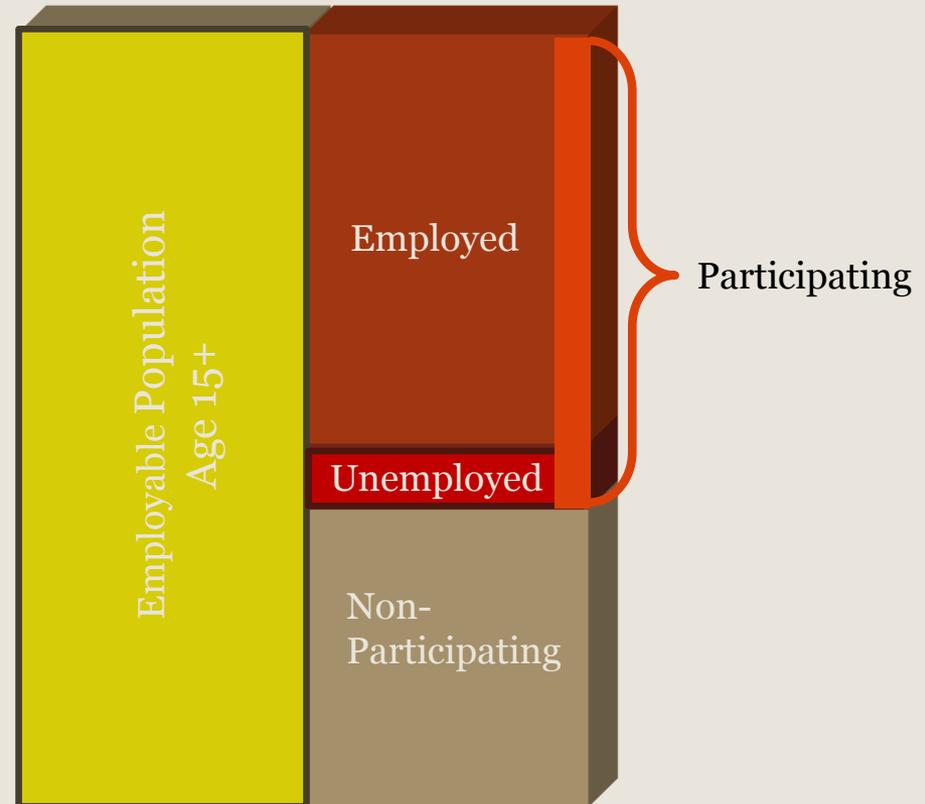


Data Source: IHS Global Insight; State Budget Agency

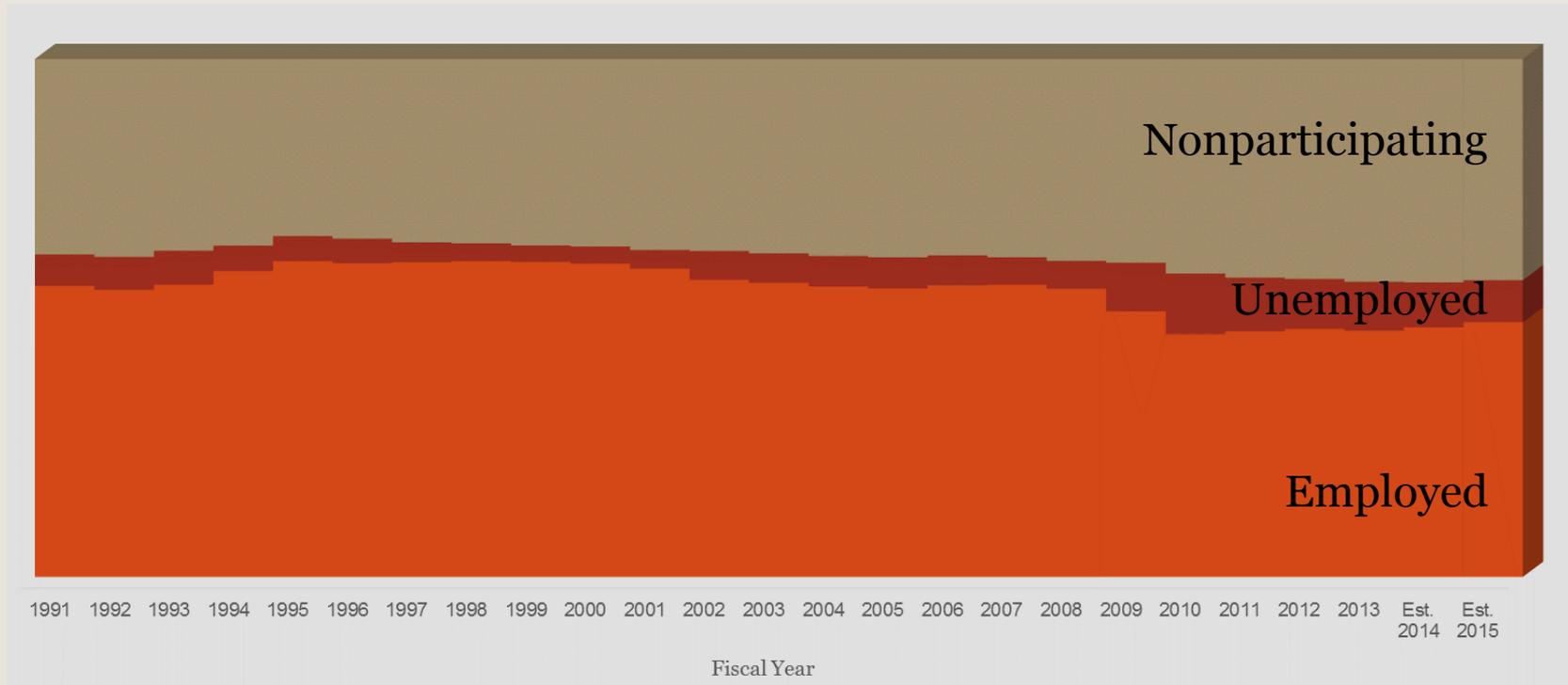
Indiana Labor Force Participation Rate Versus Unemployment Rate

$$\text{Unemployment Rate} = \frac{\text{Unemployed}}{\text{Participating}}$$

$$\text{Labor Force Participation Rate} = \frac{\text{Participating}}{\text{Employable Population}}$$



Trend of Participation



- The Labor Force Participation Rate has *decreased* from 64.7% in 1991 to 60.2% in 2013.
- The Labor Force Participation Rate is estimated to remain about the same.
- The Unemployment Rate has *increased* from 5.4% in 1991 to 8.5% in 2013.
- The Unemployment Rate is estimated to *decrease* from 8.5% in 2013 to 6.8% in 2015.

Riverboat and Racino Taxes

Market Saturation

- Long-Run Leveling, Even Decline in Revenue

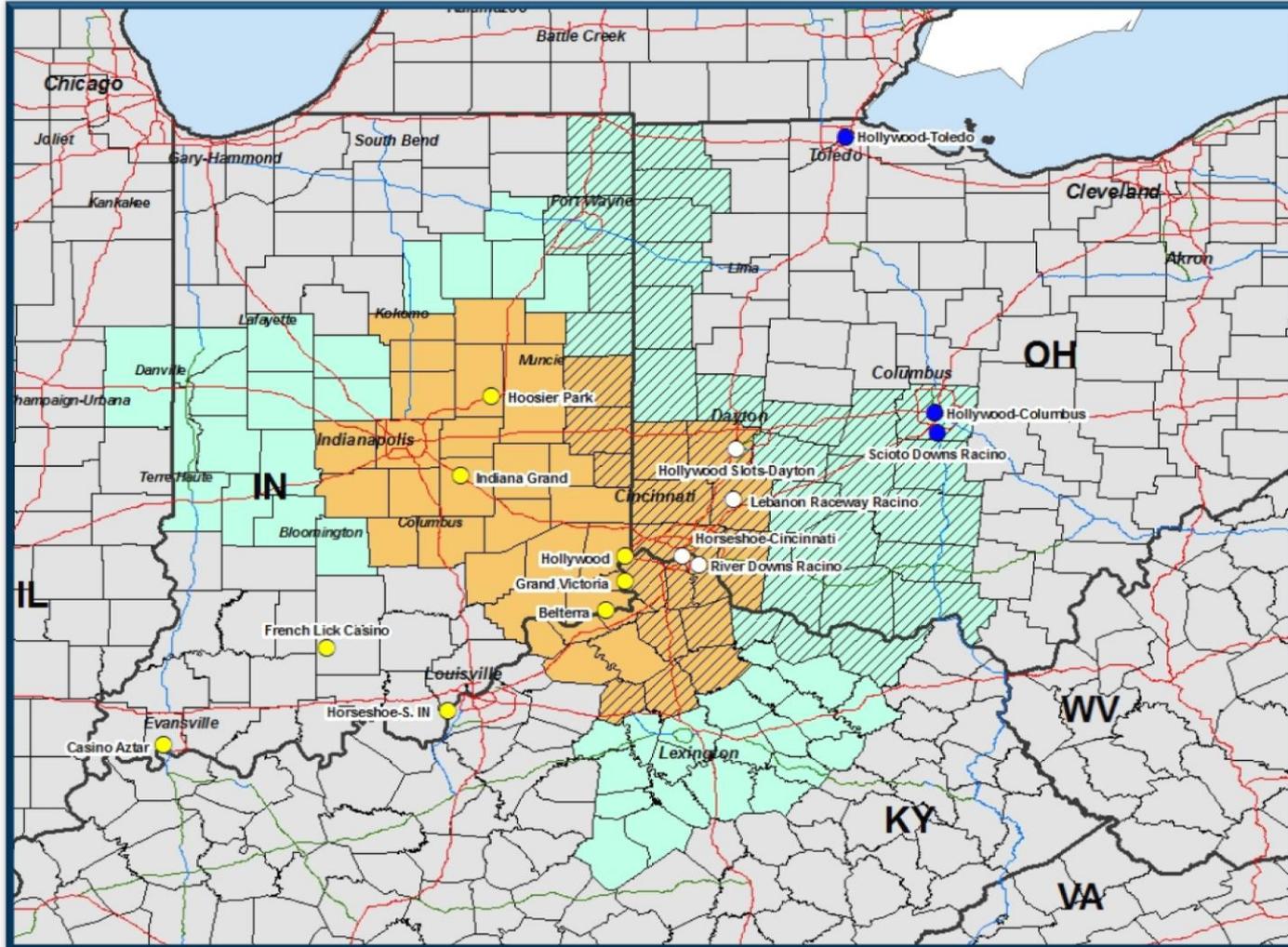
Legislative Changes

- Racino Tax Base Change
- Free Play Deduction
- Lower Riverboat Wagering Tax Rate for Smaller Scale Riverboats

Competition

- Escalating Competitive Impacts of Ohio Casinos and Racinos in FY 2014 and After
- Continuing Competitive Impacts of Des Plaines (IL) Casino and Tribal Casinos in Southwest Michigan
- Potential for More Competition from Ohio and Illinois

Continuing Competition from Ohio



Potential Threats

Federal Reserve tapering
of quantitative easing

Continued large federal
budget deficits and
inflationary pressures

Continued poor labor
market recovery

Exceeded or
approaching end of
historic recovery periods

Continued negative
impacts from the
collapse of credit
markets and
foreclosures

Continued uncertainty
relating to federal
budget policy

December 2013 Forecast Results

Total Tax Revenue Estimates

December 20, 2013, Revenue Forecast

Sales Tax (in millions)

Fiscal Year	April 2013 Forecast	December 2013 Forecast	Difference (\$) Apr 2013 to Dec-13	Difference (%) Apr 2013 to Dec-13
2014	\$7,088.4	\$6,909.1	-\$179.3	-2.5%
2015	\$7,442.1	\$7,242.9	-\$199.2	-2.7%

Individual Income Tax (in millions)

Fiscal Year	April 2013 Forecast	December 2013 Forecast	Difference (\$) Apr 2013 to Dec-13	Difference (%) Apr 2013 to Dec-13
2014	\$5,162.7	\$5,021.4	-\$141.3	-2.7%
2015	\$5,419.3	\$5,279.6	-\$139.7	-2.6%

Corporate Taxes (in millions)

Fiscal Year	April 2013 Forecast	December 2013 Forecast	Difference (\$) Apr 2013 to Dec-13	Difference (%) Apr 2013 to Dec-13
2014	\$900.3	\$937.6	\$37.3	4.1%
2015	\$869.3	\$920.5	\$51.2	5.9%

Total Tax Revenue Estimates

December 20, 2013, Revenue Forecast

Gaming Taxes (in millions)

Fiscal Year	April 2013 Forecast	December 2013 Forecast	Difference (\$) Apr 2013 to Dec-13	Difference (%) Apr 2013 to Dec-13
2014	\$509.4	\$504.4	-\$5.0	-1.0%
2015	\$492.4	\$490.1	-\$2.3	-0.5%

Other Taxes (Includes FIT, Excise, CVET Recapture) (in millions)

Fiscal Year	April 2013 Forecast	December 2013 Forecast	Difference (\$) Apr 2013 to Dec-13	Difference (%) Apr 2013 to Dec-13
2014	\$1,067.5	\$1,016.0	-\$51.5	-4.8%
2015	\$1,048.6	\$925.6	-\$123.0	-11.7%

Total General Fund Taxes (in millions)

Fiscal Year	April 2013 Forecast	December 2013 Forecast	Difference (\$) Apr 2013 to Dec-13	Difference (%) Apr 2013 to Dec-13
2014	\$14,728.2	\$14,388.5	-\$339.7	-2.3%
2015	\$15,271.8	\$14,858.7	-\$413.1	-2.7%

December 2013 Forecast Compared to Budget Plan

(In Millions of Dollars)

Fiscal Year	April 2013 Forecast	2013 Session Legislative Changes	Budget Plan Revenues	December 2013 Forecast	Difference (\$) Budget Plan to December 2013 Forecast	Difference (%) Budget Plan to December 2013 Forecast
2014	\$14,728.2	-\$151.1	\$14,571.1	\$14,388.5	-\$182.6	-1.3%
2015	\$15,271.8	-\$298.0	\$14,973.8	\$14,858.7	-\$115.1	-0.8%

Total General Fund Revenue Forecast

Fiscal Years 2014 and 2015

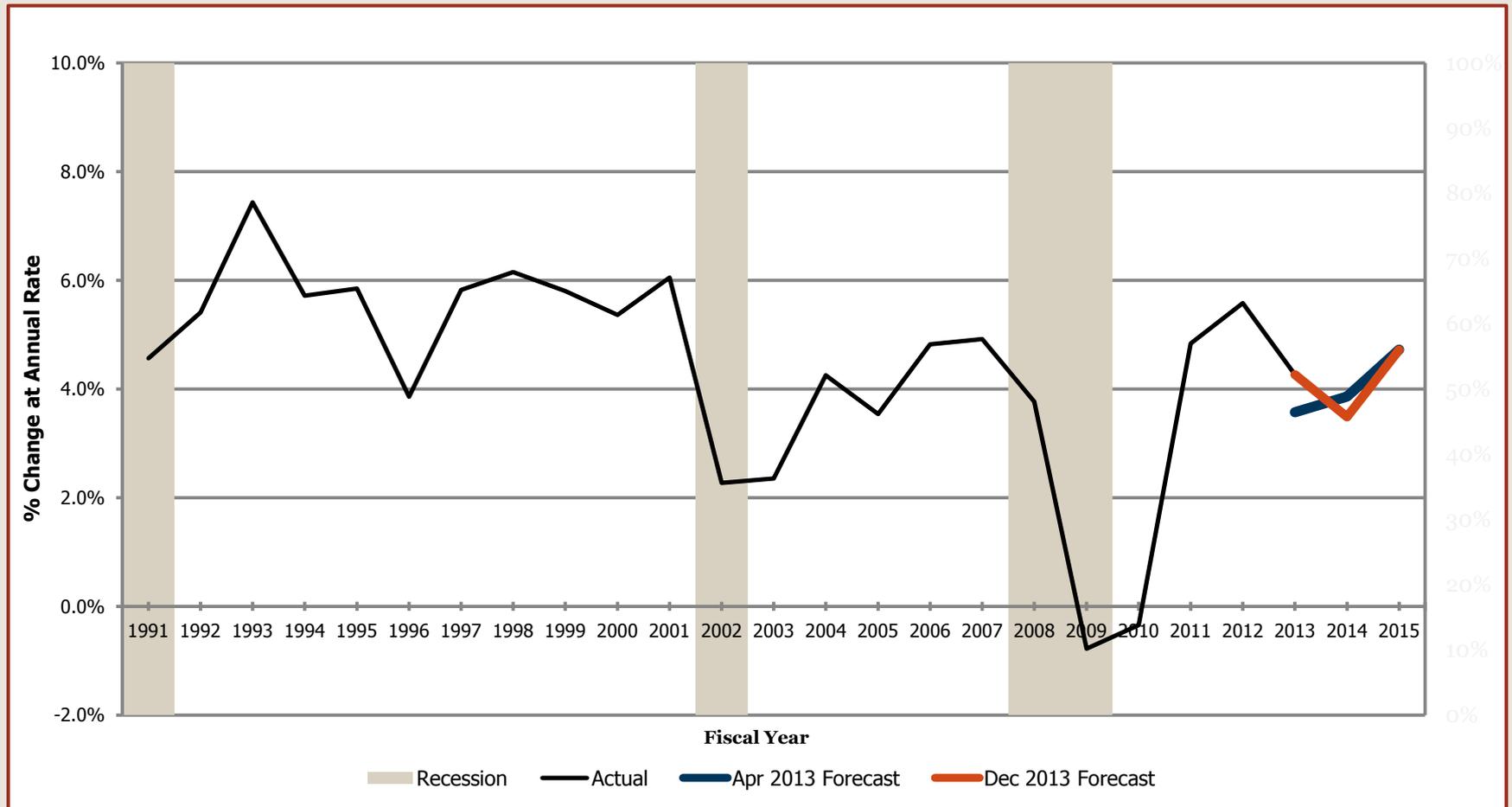
December 20, 2013

(In Millions of Dollars)

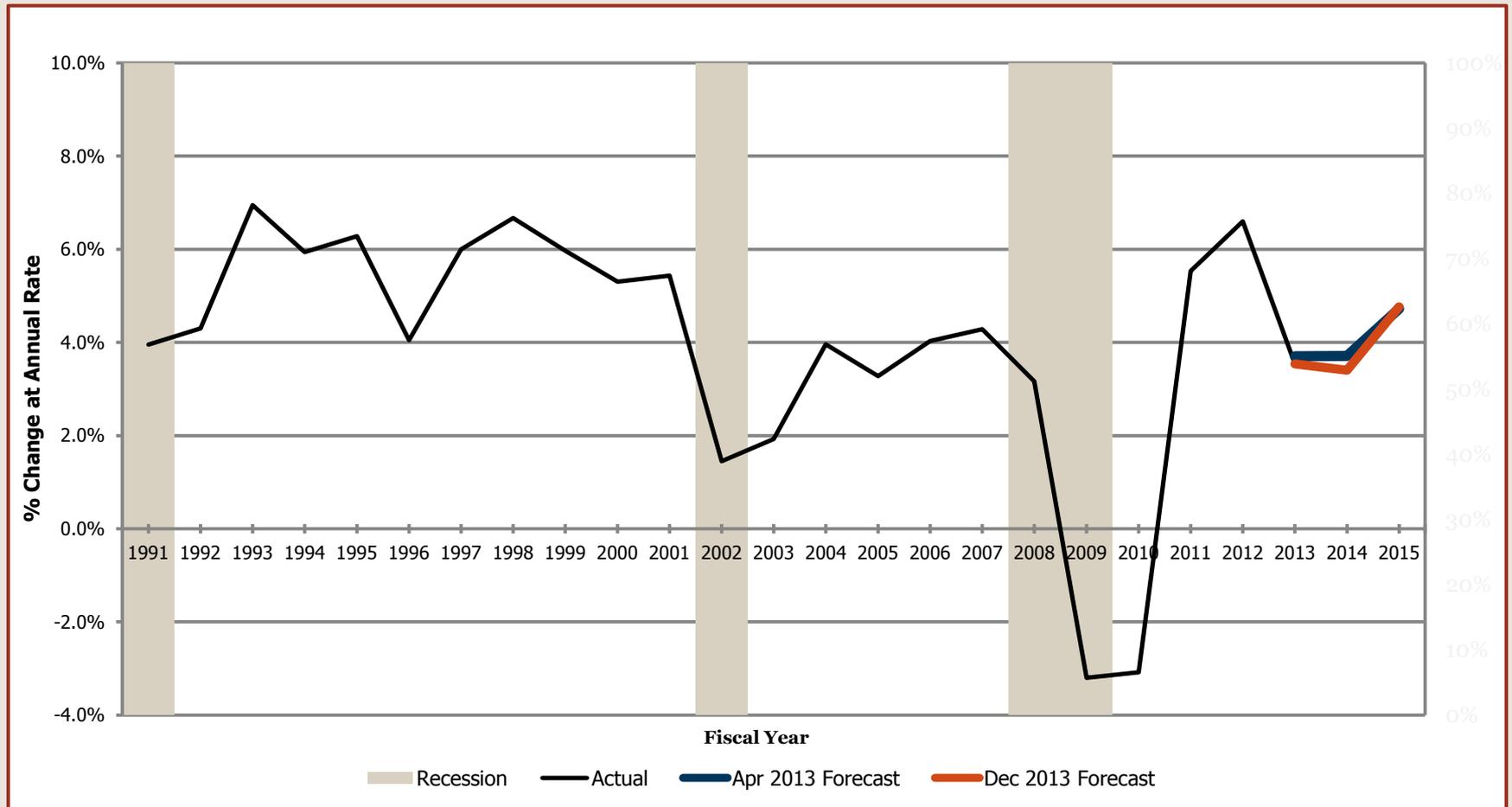
	Actual 2013	2014					2015				
		Prior Forecast	Updated Forecast	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2013	Prior Forecast	Updated Forecast	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2014
Major Taxes											
Sales & Use	6,795.8	7,088.4	6,909.1	-179.3	-2.5%	1.7%	7,442.1	7,242.9	-199.2	-2.7%	4.8%
Individual AGI	4,977.5	5,162.7	5,021.4	-141.3	-2.7%	0.9%	5,419.3	5,279.6	-139.7	-2.6%	5.1%
Corporate - AGI, URT, USUT, FIT	968.4	900.3	937.6	37.3	4.1%	-3.2%	869.3	920.5	51.2	5.9%	-1.8%
Riverboat Wagering	448.7	409.8	392.6	-17.2	-4.2%	-12.5%	396.8	383.1	-13.7	-3.5%	-2.4%
Racino Wagering	<u>105.9</u>	<u>99.6</u>	<u>111.8</u>	<u>12.2</u>	<u>12.3%</u>	<u>5.6%</u>	<u>95.6</u>	<u>107.0</u>	<u>11.3</u>	<u>11.8%</u>	<u>-4.3%</u>
Subtotal Major Taxes	13,296.3	13,660.7	13,372.5	-288.3	-2.1%	0.6%	14,223.2	13,933.1	-290.1	-2.0%	4.2%
Other Revenue											
Cigarette	257.9	247.3	257.0	9.7	3.9%	-0.3%	245.9	255.2	9.3	3.8%	-0.7%
Cigarette - Medicaid	26.0	11.2	11.2	0.0	0.0%	-56.9%	11.1	11.1	0.0	0.0%	-0.9%
Insurance	207.8	192.2	192.2	0.0	0.0%	-7.5%	192.2	192.2	0.0	0.0%	0.0%
Inheritance	165.5	128.5	82.5	-46.0	-35.8%	-50.1%	115.0	0.0	-115.0	-100.0%	-100.0%
Alcoholic Beverages	17.0	17.6	17.6	0.0	0.0%	3.3%	18.3	18.3	0.0	0.0%	4.0%
Riverboat Admissions	14.4	13.7	13.0	-0.7	-5.4%	-9.8%	13.7	13.1	-0.6	-4.1%	0.8%
Interest	27.6	20.0	20.0	0.0	0.0%	-27.6%	20.0	20.0	0.0	0.0%	0.0%
MV, CVET & FIT Recapture	254.4	233.3	229.1	-4.2	-1.8%	-9.9%	233.3	229.1	-4.2	-1.8%	0.0%
Miscellaneous Revenue	<u>195.2</u>	<u>203.6</u>	<u>193.3</u>	<u>-10.3</u>	<u>-5.1%</u>	<u>-1.0%</u>	<u>199.2</u>	<u>186.6</u>	<u>-12.6</u>	<u>-6.3%</u>	<u>-3.5%</u>
Subtotal Other Revenue	1,165.8	1,067.5	1,016.0	-51.5	-4.8%	-12.9%	1,048.6	925.6	-123.0	-11.7%	-8.9%
Total General Fund	14,462.1	14,728.2	14,388.5	-339.7	-2.3%	-0.5%	15,271.8	14,858.7	-413.1	-2.7%	3.3%

Appendices for December 2013 Revenue Forecast

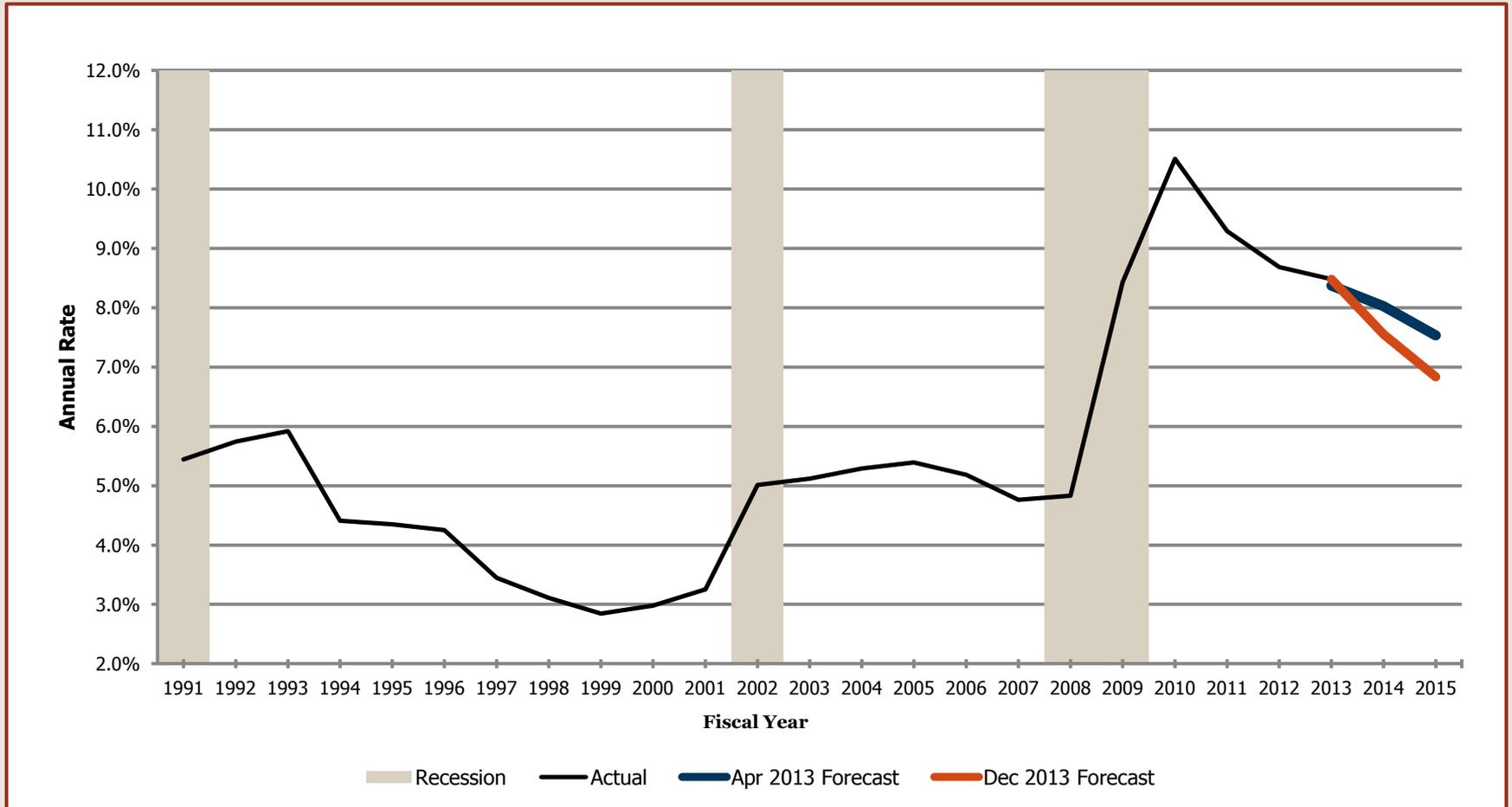
Nominal Indiana Personal Income (IPI)



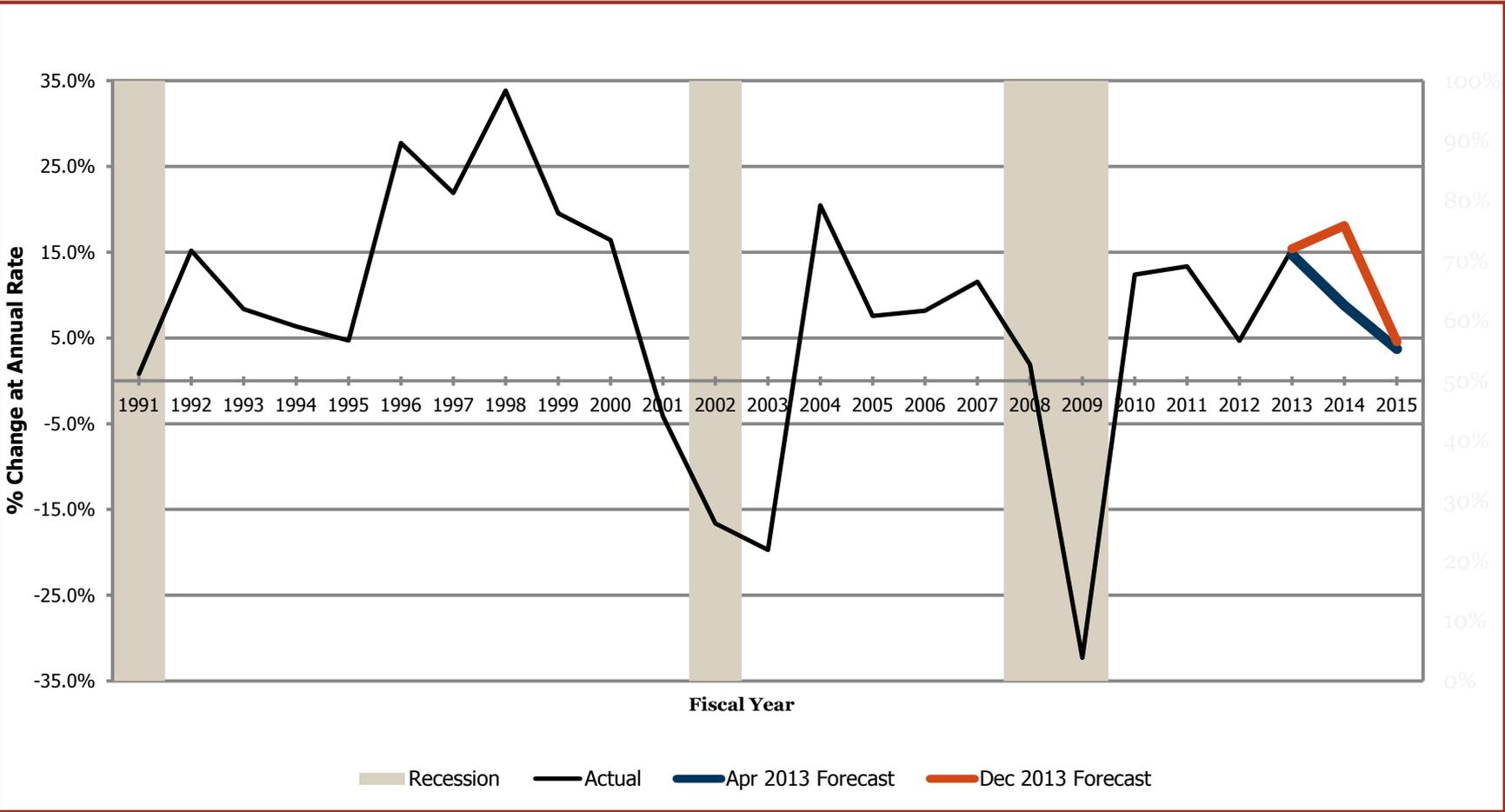
Nominal IPI Net of Transfer Payments



Indiana Unemployment Rate

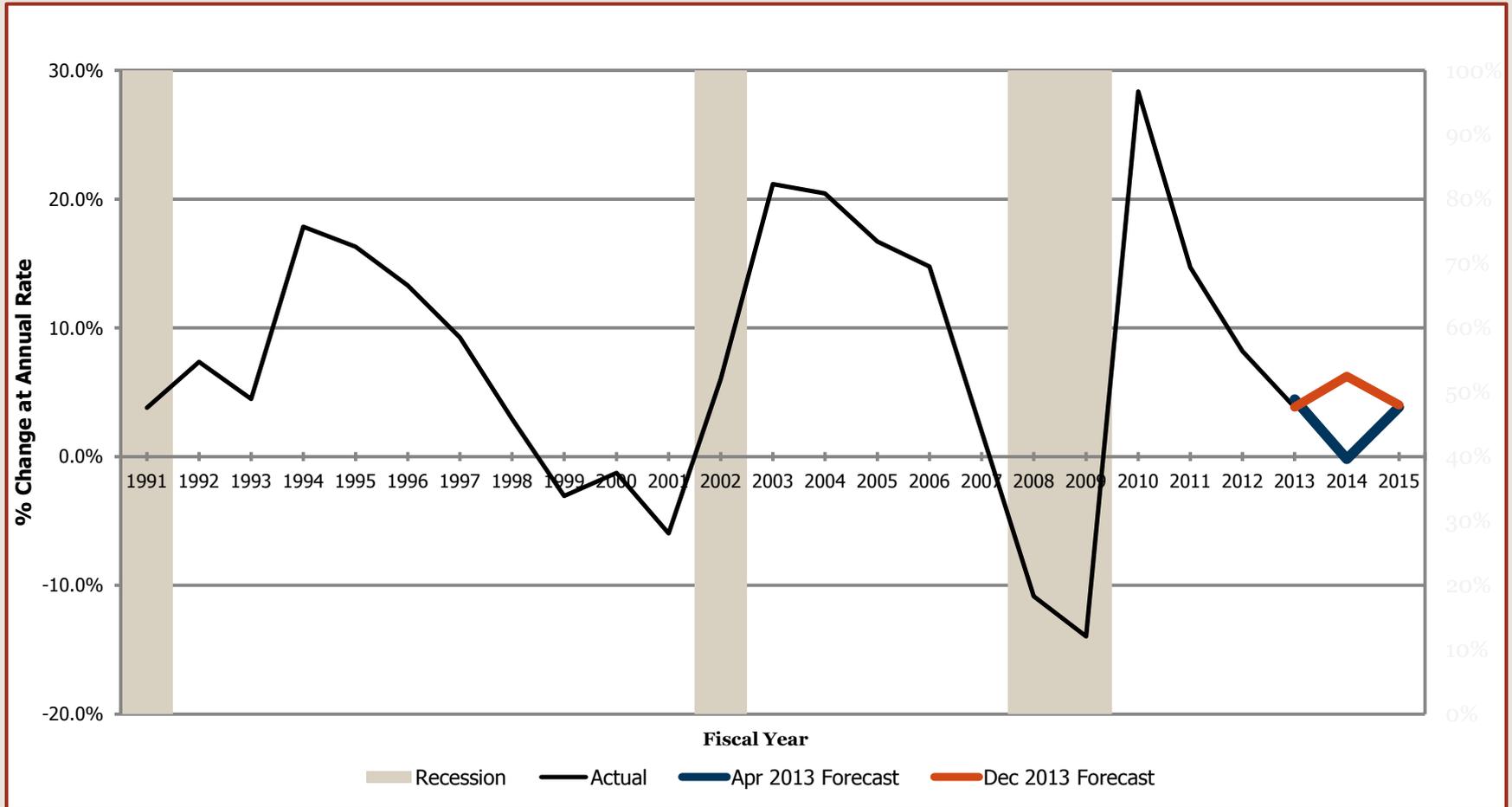


Standard and Poor's 500 Index of Common Stocks



Data Source: IHS Global Insight

U.S. Corporate Profits



Economic Variables

FY 2013, FY 2014, FY 2015

Indicator	Estimate Year	April 2013 Forecast	December 2013 Forecast*		Difference (%) Apr 2013 to Dec 2013
Nominal Indiana Personal Income (in millions)	2013	244,952	253,254	actual	3.39%
	2014	254,404	262,079		3.02%
	2015	266,422	274,445		3.01%
Nominal Indiana Personal Income Net of Transfer Payments (in millions)	2013	197,110	202,556	actual	2.76%
	2014	204,419	209,452		2.46%
	2015	204,419	219,431		2.46%
Standard and Poor's 500 Index of Common Stocks	2013	1,477	1,486	actual	0.59%
	2014	1,607	1,755		9.18%
	2015	1,667	1,835		10.05%
Indiana Unemployment Rate	2013	8.37%	8.48%	actual	1.31%
	2014	8.03%	7.55%		-5.92%
	2015	7.53%	6.84%		-9.23%
U.S. Corporate Profits (in billions)	2013	1,986	2,042	actual	2.82%
	2014	1,982	2,169		9.44%
	2015	2,059	2,256		9.60%